



# UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE  
United States Patent and Trademark Office  
Address: COMMISSIONER FOR PATENTS  
P.O. Box 1450  
Alexandria, Virginia 22313-1450  
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/610,828	07/06/2000	Kurt C. McCracken	12016-002001	5424
26161	7590	06/30/2006	EXAMINER	
FISH & RICHARDSON PC P.O. BOX 1022 MINNEAPOLIS, MN 55440-1022			ROSEN, NICHOLAS D	
			ART UNIT	PAPER NUMBER
			3625	

DATE MAILED: 06/30/2006

Please find below and/or attached an Office communication concerning this application or proceeding.

<b>Office Action Summary</b>	<b>Application No.</b> 09/610,828	<b>Applicant(s)</b> MCCRACKEN ET AL.	
	<b>Examiner</b> Nicholas D. Rosen	<b>Art Unit</b> 3625	

**-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --**

**Period for Reply**

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

**Status**

- 1) ☒ Responsive to communication(s) filed on 24 April 2006.
- 2a) ☒ This action is **FINAL**.                      2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

**Disposition of Claims**

- 4) ☒ Claim(s) 1-29 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-29 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

**Application Papers**

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☒ The drawing(s) filed on 06 July 2000 is/are: a) ☒ accepted or b) ☐ objected to by the Examiner.  
     Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
     Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

**Priority under 35 U.S.C. § 119**

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All    b) ☐ Some \*    c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

**Attachment(s)**

- |   |   |
|---|---|
| 1) <input type="checkbox"/> Notice of References Cited (PTO-892)                        | 4) <input type="checkbox"/> Interview Summary (PTO-413)                     |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948)    | Paper No(s)/Mail Date. _____  |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08) | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| Paper No(s)/Mail Date _____   | 6) <input type="checkbox"/> Other: _____                                    |

## **DETAILED ACTION**

Claims 1-29 have been examined.

### ***Claim Rejections - 35 USC § 103***

This application currently names joint inventors. In considering patentability of the claims under 35 U.S.C. 103(a), the examiner presumes that the subject matter of the various claims was commonly owned at the time any inventions covered therein were made absent any evidence to the contrary. Applicant is advised of the obligation under 37 CFR 1.56 to point out the inventor and invention dates of each claim that was not commonly owned at the time a later invention was made in order for the examiner to consider the applicability of 35 U.S.C. 103(c) and potential 35 U.S.C. 102(e), (f) or (g) prior art under 35 U.S.C. 103(a).

#### **Claims 1-15 and 26-28**

Claims 1-7, 9-15 and 26-28 are rejected under 35 U.S.C. 103(a) as being unpatentable over Ward ("An Overview of Limited Liability Companies") in view of Hitchings (U.S. Patent Application Publication 2002/0143673), Moreau ("Quick Study: Total Return"), and official notice. As per claim 1, Ward discloses acquiring one or more properties from one or more investors in exchange for an interest in an investment entity, and discloses tax advantages of such investment entities (LLC's). Ward does not expressly disclose acquiring real properties from investors, but does disclose that limited liability corporations, the focus of his article, "offer an ideal alternative to other forms of business entities for real estate investments," and "are ideally suited for many real estate investments" (Abstract), making it obvious for the properties acquired,

Art Unit: 3625

exchanged, etc., to be real properties. Hitchings discloses using a machine to (e) identify properties appropriate for disposition (Abstract; paragraphs 3-5 and 11-17); and exchanging at least one of the identified properties that falls outside of an investment profile for at least one other property in a tax-advantaged exchange (Abstract; paragraphs 3-5 and 11-17). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to use a machine to identify properties appropriate for disposition, and exchange at least one such property that falls outside of an investment profile for at least one other property in a tax-advantaged exchange, for the stated advantage of implementing functions such as reconciliation and reporting with greater efficiency and accuracy, and the obvious advantages of profiting by exchanging property judged to be likely to be less profitable for property judged likely to be more profitable, and reaping any benefits to be obtained from the tax laws in making such exchanges.

Ward does not disclose using a machine to (a) track each investor's basis in an investment entity, (b) allocate each investor's basis in his interest in the investment entity among properties acquired by the investment entity, and (c) track the allocated basis of each investor as a result of a succession of transactions, but this is what mutual funds and other investment vehicles do, as taught, for example, by Moreau. Moreau teaches mutual funds paying dividends and capital gains distributions, which implies tracking each investor's basis in his interest in the investment entity (mutual fund), to know how much to pay or distribute to which investor. Moreau discloses capital gains distributions, "your share of the profits on the stock trades inside the fund," which

implies allocating each investor's basis in his interest in the various stocks traded inside the fund, to determine the appropriate capital gains (or losses) to be allocated to each investor as the result of a succession of transactions (stock trades). Moreau does not expressly disclose carrying out these steps using a computer, but does disclose a fund figuring total return with the help of a computer; it is hard to believe that a fund would use a computer for this, but not for tracking the various investors' bases in the fund, and the dividends and capital gains distributions due to them. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to use a machine to use a machine to carry out these steps, for the obvious advantage of efficiently carrying out the necessary functions for tracking investments and returning appropriate sums to investors in the forms of dividends, redemptions of shares, etc., and for the obvious advantage of not having to employ large numbers of scriveners to make the necessary calculations on paper with quill pens.

Ward does not expressly disclose enhancing the value of at least one of the properties by physical improvements and redeeming an interest of at least one of the investors in an investment entity at a value based on the current value, but official notice is taken that it is well known for managers/developers to routinely enhance the value of property by physical improvements, and well known to redeem an interest of at least one of the investors in an investment entity at a value based on the current value (e.g., this is what investors in mutual funds routinely do, as implied in the final paragraph of Moreau's article). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to enhance the value of at least one of the

Art Unit: 3625

properties by physical improvements, for the obvious advantage of profiting from higher rents and/or selling prices; and to redeem an interest of at least one of the investors in an investment entity at a value based on the current value, for the obvious advantage of redeeming at an appropriate value. (If investors were not able to redeem their interests, or not able to do so unless at a value far below the current value, not reflecting profits made by the investment entity, they would be reluctant to invest in the first place; if investors were able to redeem their investments at a value above the current value [not reflecting losses of the investment entity, perhaps], they would tend to do so eagerly, until the investment entity became bankrupt from unsustainable redemptions.)

As per claims 2, 3, 4, and 11, official notice is taken that income-producing real estate, inner-city residential properties, and distressed properties are well known categories of real estate, in which it is well known to invest (and in which Ward expressly discloses investing; see Abstract). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention for the investment profile to comprise any of these categories, for the obvious advantage of profiting from the collection of rent upon, or the profitable sale of, these well-known categories of real estate.

As per claims 5 and 6, official notice is taken that it is well known to invest preferably in underpriced properties, if one can find them; much analysis of the stock market and other potential investments comprises searching for underpriced properties. Properties for which a purchase price for an individual property divided by a total rent obtained from such property is low relative to other properties located in a surrounding

Art Unit: 3625

area (as per claim 5), and residential rental properties for which rents are below market for a neighborhood proximate to such properties (as per claim 6) are properties which may well be underpriced (unless they are properties which have things wrong with them). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention for the investment profile to comprise such properties, for the obvious advantage of investing in properties likely to be especially profitable.

As per claim 7, Ward discloses that an investor can make a tax-advantaged contribution of property in exchange for an interest in the investment entity (see under "CAPITAL CONTRIBUTION" for contribution of property, and under ""CONTRIBUTIONS OF APPRECIATED PROPERTY" and "TAX ADVANTAGES OF PARTNERSHIPS" for tax advantages).

As per claim 9, official notice is taken that it is well known for physical improvements to comprise refurbishment. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention for the physical improvements to comprise refurbishment, for the obvious advantage of obtaining higher rents and/or selling prices for refurbished properties.

As per claim 10, official notice is taken that attempting to enhance the value of property by improved management is well known. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to enhance the property value by improved management, for the obvious advantage of profiting from eliminating waste, conducting operations more cheaply and effectively, etc.

Claims 12 and 13 recite limitations essentially parallel to those of claims 6 and 5 (in that order); claims 14 and 15 recite limitations essentially parallel to those of claims 6 and 5 (in that order). Therefore, claims 12-15 are rejected on the grounds set forth above with regard to claims 5 and 6.

As per claim 26, Ward does not expressly disclose that the values of interests in the investment entity that are exchanged for properties of investors through tax-advantaged transactions are based on the current value, but official notice is taken that it is well known for the values of interests (e.g., shares of stock or similar) exchanged for other property to be based on a current value (which, after all, would normally reflect expected future values). The alternative, for the values of interests in the investment entity to bear no relation to a current value, is implausible, because it would involve investors parting with their property in return for interests of random value, apparently without concern for the actual value, or the managers and shareholders of the investment entity parting with interests in their investment entity without concern for their value. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention for the values of interests in the investment entity that are exchanged for properties of investors through tax-advantaged transactions to be based on the current value, for the obvious advantage of not entering into grossly unfavorable or absurd exchanges.

As per claim 27, official notice is taken that it is well known for the redeeming of interests by investors to occur at times determined at least in part by the investors, as, for example, when an investor sells shares of stock, shares in a mutual fund, real estate



Art Unit: 3625

that an investor puts up for sale, etc. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention for the redeeming of interests by investors to occur at times determined at least in part by the investors, for the obvious advantage of enabling the investors to obtain money or property in return for their interests when they were in need of such money or property, and because an investment entity which did not let investors redeem interests at times determined at least in part by the investors would be likely to experience difficulties in finding investors to start with.

As per claim 28, Ward discloses that the investment entity comprises a limited liability company (throughout).

Claim 8 is rejected under 35 U.S.C. 103(a) as being unpatentable over Ward, Hitchings, Moreau, and official notice as applied to claim 1 above, and further in view of the anonymous article, "Halifax Account Wrangle." Ward does not disclose that the redemption of interests of investors is limited at any one time to a predetermined portion of a value of the properties held by the investment entity, but it is well known to limit the amounts of investments which can be redeemed at any one time, as taught, for example, by "Halifax Account Wrangle." Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention for the redemption of interests of investors to be limited at any one time to a predetermined portion of a value of the properties held by the investment entity, for the obvious advantage of not requiring the investment entity to liquidate properties overhastily, with likely consequent losses.

### **Claims 16-25**

Claims 16-22, 24, and 25 are rejected under 35 U.S.C. 103(a) as being unpatentable over Ward ("An Overview of Limited Liability Companies") in view of Hitchings (U.S. Patent Application Publication 2002/0143673), Moreau ("Quick Study: Total Return"), and official notice. Claim 16 is essentially parallel to claim 1 (which does not expressly recite a management entity, but such an entity is inherent from the disclosed actions, which constitute management); further, Ward discloses a management entity ("OPERATING AGREEMENT," "MANAGEMENT PROVISIONS," etc.). Also, official notice is taken that it is well known to record and analyze investments; any sort of investment entity run with very minimal competence does this, and it is typically done with the use of a machine (computer). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to record and analyze investments held by the investment entity, for the obvious advantage of being able to judge successes and failures, modify plans, file tax returns and other required government reports, pay investors their due, etc.

Ward does not expressly disclose analyzing other properties within the investment profile for possible investment by means of tax-advantaged transactions, but official notice is taken that it is well known to analyze properties for possible investment, including analysis of tax advantages, etc. (this is a large part of what mutual funds, investment firms, mutual funds, REIT's, insurance companies, etc. do). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to analyze other properties within the investment profile for possible

investment by means of tax-advantaged transactions, for the obvious advantages of finding good properties to invest in, and avoiding investments likely to be unprofitable.

Claims 17, 18, 19, 20, 21, and 22 are essentially parallel to claims 2, 3, 4, 5, 6, and 7, respectively, and rejected on the grounds set forth above for those claims.

As per claim 24, Ward discloses that the management entity can be the same as the investment entity (see sections headed "MANAGER or MANAGERS [sic]" and "MANAGEMENT PROVISIONS").

As per claim 25, Ward discloses that the investment entity can receive cash contributions (see section headed "CAPITAL CONTRIBUTION").

Claim 23 is rejected under 35 U.S.C. 103(a) as being unpatentable over Ward, Hitchings, Moreau, and official notice as applied to claim 16 above, and further in view of the anonymous article, "Halifax Account Wrangle." Claim 23 is closely parallel to claim 8, and rejected on the grounds set forth above for that claim.

#### **Claim 29**

Claim 29 is rejected under 35 U.S.C. 103(a) as being unpatentable over Ward ("An Overview of Limited Liability Companies") in view of Hitchings (U.S. Patent Application Publication 2002/0143673), Moreau ("Quick Study: Total Return"), the anonymous article, "Halifax Account Wrangle," and official notice. Claim 29 is essentially parallel to claim 1 with claims 8 and 26 included, and rejected on essentially the same grounds set forth above with regard to those claims. Claim 1 does not recite defining an investment profile, but official notice is taken that this is well known; prospectuses for mutual funds, REIT's, etc., typically define and set forth their

investment profiles. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to define an investment profile, for the obvious advantages of attracting investors, and providing some protection from complaints and lawsuits in the event of investing according to the profile turning sour.

Ward is not explicit that properties are acquired and interests redeemed at a succession of different times, but official notice is taken that this is well known (mutual funds, REIT's, and other entities typically acquire properties and let investors redeem interests at a succession of different times). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to do these things at a succession of different times, for the obvious advantage of acquiring properties as the properties, and/or funds with which to buy them, became available, and redeeming interests as convenient to the investors and/or the investment entity.

### ***Response to Arguments***

Applicant's arguments filed April 24, 2006 have been fully considered but they are not persuasive. Applicant argues that none of the cited references describes or would have made obvious acquiring one or more real properties, allocating each investor's basis in his investment among real properties acquired by the investment entity, etc., the emphasis being on the properties being real properties. Examiner replies that Ward, the primary reference, expressly discloses the applicability of limited liability companies to real estate investments (Abstract), making it obvious for the properties to be real properties.

Applicant further argues that Ward's disclosure of the "tax advantages of . . . entities" does not amount to a disclosure of "tax advantaged transactions," to which Examiner replies that Hitchings does teach tax-advantaged exchanges of property. Applicant argues that Moreau does not teach tracking the allocated basis of each investor as a result of a succession of transactions that are "tax-advantaged exchange transactions." Examiner replies that a teaching that specific is not required; mutual funds, as taught by Moreau, track each investor's allocated basis as the result of a succession of transactions, and such tracking does not become non-obvious because the transactions happen to be tax-advantaged transactions, or real-estate transactions, or foreign currency transactions, or stock transactions, or whatever other type of transactions they may be.

Applicant argues that none of the general attributes of mutual funds, LLC's, bank accounts, etc., would have been relevant to someone engaged in the very different activity of developing investments in the field of real property, to which Examiner replies, again, that Ward explicitly teaches the applicability of LLC's to real estate investments.

Applicant further argues that Examiner has failed to identify sufficient motivation to combine the various references, and calls it a merely circular argument that the various combinations of references were obvious because they provided obvious advantages. Examiner replies that it is common and conventional in patent examination to find combinations of references obvious because they provide obvious advantages, and proper to do so when there are adequate teachings or motivations; also, in the

Art Unit: 3625

rejection of claim 1, a stated advantage is relied upon for the combination of Ward and Hitchings.

In response to applicant's argument that there is no suggestion to combine the references, the examiner recognizes that obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. See *In re Fine*, 837 F.2d 1071, 5 USPQ2d 1596 (Fed. Cir. 1988) and *In re Jones*, 958 F.2d 347, 21 USPQ2d 1941 (Fed. Cir. 1992). In this case, motivations are provided, based in most cases on the knowledge generally available to one of ordinary skill in the art, e.g., using computers for the obvious advantage of not having to employ large numbers of scribes to make the necessary calculations on paper with quill pens, or investing in income-producing real estate for the obvious advantage of profiting from the collection of rent upon, or the profitable sale of, this well-known categories of real estate.

Those of the common knowledge or well-known in the art statements in the previous office action which were not traversed are taken to be admitted prior art, because Applicant did not traverse Examiner's taking of official notice (for some facts of which official notice was taken).

***Conclusion***

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Nicholas D. Rosen, whose telephone number is 571-272-6762. The examiner can normally be reached on 8:30 AM - 5:00 PM, M-F.

**THIS ACTION IS MADE FINAL.** Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's current acting supervisor, Yogesh Garg, can be reached at 571-272-6756. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300. Non-official/draft communications can be faxed to the examiner at 571-272-6762.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR.

Art Unit: 3625

Status information for unpublished applications is available through Private PAIR only.

For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.



**NICHOLAS D. ROSEN**  
**PRIMARY EXAMINER**

June 26, 2006